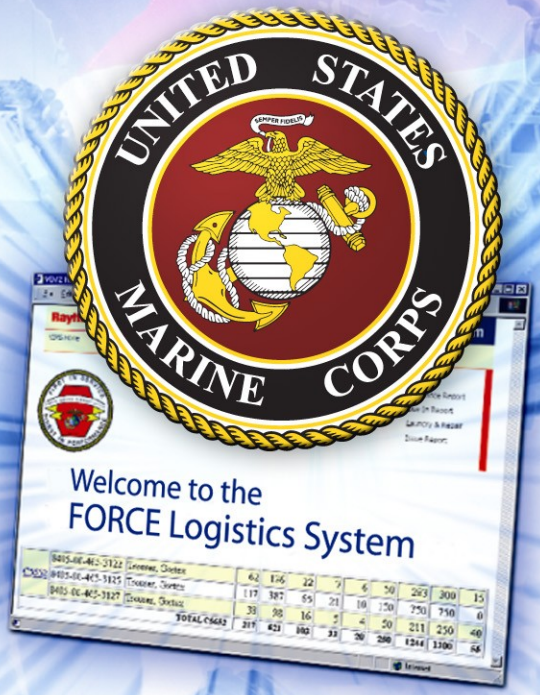
Secondary Reparable (SECREP) Vehicle Components



Raytheon
Technical Services Company, LLC
Curt Goyette
Deputy Program Manager
Major USMC (Ret)

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Overview

- Raytheon technical Services Overview
- Logistics, Training & Sensors Systems Overview and Capabilities
- RTSC Commitment to USMC
- Contract requirements
  - Configuration
  - Commodities supported
- Raytheon Enhancements
  - FLS II
  - TAV / RFID
- Vendor Base
- Warranty
- Vision - Future
- Parting Shots
- Contact Info

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Raytheon Technical Services Company LLC

Mission support—Raytheon's integrated approach to predicting customer needs, sensing problems and preemptively applying solutions—enables Raytheon to maintain readiness and deliver operational capability on demand, allowing our customers to focus on their mission.

- A global technical, scientific and professional services leader in Defense and federal government.
- 11,500 employees worldwide
- $2.1 billion in 2004 revenues
- Global Headquarters: Reston, Virginia, USA
  - Operate in 50 States
  - Operate in 38 Countries
  - Operate on all 7 Continents

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RTSC Logistics, Training & Sensors Systems

Maintenance

- Fixed and mobile
- Preventive and corrective
- Warranty administration
- Organizational, direct, depot
- Computerized Maintenance Mgmt

Installation

- Site surveys
- Green field
- Renovation/buildout
- Hookup & commissioning
- Test and integration

Shipping

- Documentation
- Customs clearance
- Transportation

Property Management

- Distributed systems
- Tailored to customer needs
- Computerized inventory control
- Web-based access
- SAP-compatible systems

Life Support

- Housing
- Health care
- Medevac
- Catering (teamed w/ESS)
- Recreation/entertainment
- Security

Training

- Needs assessment
- Planning/record keeping
- Material preparation
- Classroom and field instruction

Warehousing

- Inventory control
- Receiving
- Inspection
- Distribution
- Packaging
- Containerization

Procurement

- Automated systems distributed process
- Russian, U.S. and European sources

Operations

- Scheduling/planning
- Computer networks
- Telecommunications
- Metrics-based reporting
- Health, Safety & Environmental
- Proven Management Tool

Provisioning

- Spares analysis
- Minimum/maximum levels
- Integrated with engineering
- Web-based reporting

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Logistics and SCM Discriminators

Our Vision...

to optimize the supply chain by working as "One-Company" to strategically enhance people, processes & tools across the value stream to meet customer requirements.

Our Goal...

to deliver the right material and service to the right place, at the right time with the right quality for the right total cost.

- DCAA approved Supply Chain Management System with SAP foundation
- Integrated Logistics support in remote regions
- Raytheon Company leverage ($ 7B procurement spend over 24,000 suppliers)
- Maintenance and repair expertise
- Employee deployment and local employment Know-how
- Strength in key geographies
- Process foundation (e.g., R6σ, EVMS, IPDS, Procurement, contract management)
- *Integrated people, processes, and systems*

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Commitment to USMC Success

- Invested $2.5M to date in building SEC REPS capabilities (IIS-RTSC)
- Investing another $1M this year to upgrade and integrate existing systems
  - More detail later in this brief
- Management Team Comprised of Former USMC Veterans, (GSM Experience)
- Core strategic focus for RTSC
  - Senior Management Committed to the long term success of this Program
  - Development expenses accepted

Contract Requirements

- Bring back to OEM spec
- PAY as you go IDIQ type contract with FFP pricing
- World wide
  - Okinawa, Hawaii, Iraq
- EDI must grow with USMC
  - Contractors cost
  - GCSS 1st improvement of legacy systems in 20+years
  - Raytheon is already ahead
- MTBF
  - No real data from USMC
  - 1st Baseline
  - Open loop system, needs to be closed
- Configuration Management
- Warranty
  - Storage and operational

Configuration

- All SECREP Configurations reviewed with LOGCOM-jointly accepted
- Vendors Taught USMC Configuration
- USMC SECREP Configuration Base-lined
  - Uniformity through-out all MEFs
- DLA Purchases by Raytheon for DOD and USMC Unique Parts

Commodities Supported

- All TAMCN types supportable
- Over 270 NSNs on contract
  - 2006 Goal 200 additional 450 by year end
- Repair CLIN
  - Allows for support of non-negotiated NSNs
  - Average TAT 75 days (Includes sourcing of new items never supported by industry)
- Contract NSNs have over 95% on time delivery
- Serial Number Tracking
  - Source # for tracking Warranty
- Base line of TAT, Supports Lean Inventory concept
- Superior Quality (Feedback from end users)
  - Quality is our primary focus

Raytheon Enhancements

- FORCE Logistics System Expansion
- FLS II investment
  - $1M+ Raytheon Funds
  - Oracle Based
  - Easy EDI to GCSS
- Web Based
- Used for deployment support
  - SATCOM Link
  - Iraq
- RFID Tagging for Inventory and Maintenance support
- SASSY / MIMMS Interface
  - GCSS (Oracle based)
    - Contract must - advance as customer moves from legacy systems

FLS II Capabilities NOT in Current FORCE System

- Configurable SAP Interface
- Enhanced Custom Report Generation
  - Allows for enhanced data analysis
- Workflow
- Auto Report Generation & Distribution
- Bar code and UID support
- PO handles multiple requisitions
- Procurement PR/PO
- Transportation Cost Tracking
- Vendor Corrective Action Reports (VCAR)
- Over & Above Tracking Control
- Asset Management Serial # Tracking & Control
- Warranty Notification
- Warranty Repair Quality Deficiency Reports (QDRs)
- Technical Manual Management
- Configuration Control
- Top Down Equipment Breakdown
- Maintenance Work Orders
- Preventive, Predictive & Corrective Maintenance
- Failure Analysis (MTBF)
- Inventory Management
- Property Records
- Vendor Quality Deficiency Reports (QDRs)

TAV/RFID Collaboration Opportunities

- Structured step-wise approach
  - Business case
  - Pilots
  - Initial deployment
  - Scaling to full deployment
  - Ongoing optimization

- Tangible benefits of early pilots
  - Work-in-process (WIP) flow
  - Asset visibility
  - Supplier relationships
  - Depot throughput
  - Intangible benefits
  - Head-start on DOD RFID mandate compliance
  - Develop “lessons learned” and best practices

- Candidate RFID pilots
  - WIP tracking
  - Supply chain tracking for high value reparables
  - Providing “on-board” maintenance history

SECREP Program Vendor Base

- One focal point to manage Industrial vendor base.
- One Contract, Multiple contract burden eliminated.
- Vendor expansion
  - Many not prepared to deal with US Govt, payment schedules, administrative requirements ect
- USMC Configuration established
- Each vendor audited and inspected
- Raytheon Negotiating power with Freight/OEM's
  - Other Sub-Contract Relationships

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SECREP Vendor Base cont..

- Vendors Investing in vendor owned stock
  - Prepositioning assets for quick turn times
  - O-CONUS Pre-positioning possible
  - Honeywell 6 Tank Engine Pre-positioned
  - 50+ HUMMV trans, 60 Transfers, Fuel Pumps
  - LAV,LVS,P19,5Ton Transmissions
  - Most Starters and Generators Stocked now (best we've seen)
  - LVS and HUMMV Engines now
    - LAV Engines, Most Gen Set engines, 525 soon
- Simultaneous exchange
- Vendors "Team Members" in USMC support
  - "Harnessing the power of America"
- Expedite of OIF SECREPs with no charge
- Multiple Warranties honored, when actually voided by time and/or tampering
  - Vendors want to show good faith

Warranty

- Two types of Warranties
  - Storage (unprecedented in Military)
  - Operational
- Storage: Starts when Item received by RIP
- Operational: Starts at time of issue to using unit
  - Yellow TAG
- Trend analysis
  - WRR
- Extremely low warranty rate .5%
- Vendors accepting warranties past due
  - Accepting with no obligation, Shows vendors good faith

Partnership for the Future

Vision

"…Fusing Technology, Practices and Capabilities to Ensure Logistics Agility, Adaptability and Responsiveness…"

-USMC Campaign Plan

Transforming the Marine Corps SECREP Process From Present Day to "Future State."

Use or Disclosure of Data Contained on this Sheet is Subject to the Restriction on Page 1 of this Presentation.

Parting shots

- Raytheon is committed to the Marine Corps
- Making investments for advancements
  - FLS II enhancements for GCSS migration
- We will adjust as this program grows
- High quality components will NEVER change
- Communication is Key
  - Let LOGCOM know what you want/need
  - Technical services always available, use it its free
    - LOCAL RSR can get you help fast, use them

Questions?

Thank you for your time.

Raytheon

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